Government stake in Public Sector Banks

3007. SHRI MAHENDRA MOHAN:
DR. (SHRIMATI) NAJMA A. HEPTULLA:

Will the Minister of FINANCE be pleased to state:

(a) whether in a significant move for the banking sector, the Planning Commission has asked Government to reduce its stake in the public sector to 33 per cent from the present level of around 70 per cent;

(b) whether the Plan Panel has also suggested for permitting foreign investors to own larger share in insurance companies, detariffing of insurance products subject to apropriate regulation uniform stamp duty for the debt and security markets and reforms in the pension sector;

(c) if so, what are details of the recommendations of Planning Commission in this regard; and

(d) what is the reaction of Government thereto?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) to (c) The Planing Commission had constituted a High Level Group on Services Sector on 4th May, 207 under the Chairmanship of Shri Anwarul Hoda, Member, Planning Commission for comprehensively examining the different aspects influencing the performance of the services sector and suggest short-term and long-term policy measures to improve and sustain its competitiveness in the coming years. The Report of the Group was released on 2nd April, 2008. The Group has also examined the Financial Services sector and has recommended that, as an immediate measure, it is necessary to empower the Government owned banks to address the key competitive challenges that confront them, without altering their pubic sector character. Further, the Group has also, *inter-alia*, recommended to review Central Vigilance Commission (CVC) oversight of public sector banks, autonomy in personnel matters, selection of Chief Executive and other Board members by the banks, etc. The Group further recommends that the above recommendations would also apply to public sector entities in other financial services segments, such as insurance. The key recommendations of the Group for reform in the Insurance sector include liberlization of products and rates in the sector review of capital requirements and related regulations, rationalisation of taxes and incentivisation of long-term savings, diversification of investment portfolios, Foreign, Direct Investment (FDI) restriction on re-insurance, rationalizations of insurance ligislations, increased disclosure norms, encouraging the creation of catastrophic insurance, facilitating penetration of health insurance, facilitating agriculture insurance, increasing penetration of derivative instruments through investors awareness and financial literacy programmes, development of debt capital market through affordable and uniform rates and levels of stamp duty, development of derivatives market, reform in the structure and management of pension funds, etc. Planning Commission has placed this Report in public domain on its website www.planningcommission.nic.in.

(d) Government has taken various steps to bring about reforms in various segmen s of financial services sector. Recommendations of various panels are examined and appropriate steps are taken by the Government keeping in view the concerns and sensitivities of all the stakeholders, and preparedness and requirement of the system and the economy.